

AUDIT AND GOVERNANCE COMMITTEE

30 September 2010

CORPORATE RISK PROFILE

Report of the Director of Financial Resources

1. Purpose of the Report

- 1.1 This report informs the Audit and Governance Committee of the updated Corporate Risk Profile and amendments that have taken place since the last report in March 2010.
- 1.2 The report provides information in relation to:
 - the identified risks and any additions, changes or closed risks;
 - an analysis of the risk score movement and commentary;
 - an analysis of progress in relation to actions identified to mitigate the risks.

Previously the whole Profile including all of the actions were provided to the Audit and Governance Committee covering 120 pages of detail. The process for developing and reviewing the Profile is currently under review, including reporting arrangements. It is considered that it is more useful to provide this high level summary information, rather than the full Profile, as this provides the key information to allow the Audit and Governance Committee to assure itself that the major risks have been identified and assessed, and that they are being managed effectively.

2. Background

- 2.1 Risk Profiling is a systematic risk identification and evaluation process designed to provide an organisation with a clear focus on the major risk issues it faces. The Profile identifies measures to assist in ensuring those risks are managed, appropriate opportunities are taken advantage of, targets are achieved and service delivery improved.
- 2.2 The Corporate Risk Management Group (which includes a range of Heads of Service, senior managers from across the Council and the corporate risk management team) carries out a six monthly review of the Corporate Risk Profile, the results of which are reviewed by the Executive Management Team and then reported to Cabinet and the Audit and Governance Committee. The Profile reflects the substantial changes and challenges the Council faces in its ambitious agenda for the future.
- 2.3 The latest review confirmed that the Corporate Risk Profile identifies and details the major risks facing the Council. However, it can be seen from table 3 in paragraph 3.3 that a number of risk scores have increased. It is considered that this reflects the fact that the review has been undertaken at a time when there is great

uncertainty over public expenditure reductions and numerous Coalition Government policy announcements have been made and remain unresolved. In addition, some scores have increased to reflect the wider scope of those risks that have been consolidated as referred to in table 2, in paragraph 3.2.

2.4 The risks are scored as set out in the table below.

IMPACT	Critical	4	4	8	12	16
	Significant	3	3	6	9	12
	Moderate	2	2	4	6	8
	Minor	1	1	2	3	4
Risk Rating Matrix			1	2	3	4
			Unlikely	Possible	Likely	Almost Certain
		LIKELIHOOD				

The scoring methodology was revisited as part of the review, retaining the 4 x 4 matrix, but using whole numbers. This has resulted in minor adjustments to the current risk scores.

A Projected Risk Score is provided in table 3 to reflect the assessment of risk assuming all of the proposed mitigating actions for the forthcoming 12 month period are implemented on time.

3. Changes to Corporate Risk Profile

3.1 The latest review confirmed that the Corporate Risk Profile identifies and details the major risks facing the Council. It was considered that there was an overlap between some risks and where appropriate these were amalgamated. Changes were made to the risk descriptions to better reflect the areas covered. The changes made to the Risk Descriptions are shown below in Table 1.

Table 1 - Corporate Risk Profile – Changes to Risk Descriptions

Ref	Original Risk Description (April 2009)	New Risk Description
1	Difficulties in managing/delivering services that meet the changing patterns of housing availability, suitability and demand heightened by the economic downturn.	Failure to meet the housing needs of the city.
4	Failure of the Council to support Elected Members to deliver their relevant community leadership role.	Failure of the Council to deliver its Community Leadership Role.
10	Failure to establish and embed an integrated approach to the management of crime and fear of crime.	Failure to embed an integrated approach to the management of crime and fear of crime.
13	Adverse outcome of current legal considerations in relation to Single Status and Equal Pay.	Adverse outcome in relation to Single Status and Equal Pay.
15	Failures within the Council to identify/ develop/ implement changes that enable it to meet the challenges of value for money and efficiency savings.	Failure to secure significant productivity gains to address potential public expenditure reductions.
17	Difficulties in achieving health inequality targets and closing the gap on related performance targets / standards in relation to high profile areas.	Failure to meet health inequalities targets.
21	Difficulties in ensuring that Sunderland's viewpoint is expressed, recognised and acknowledged international, national, regional and/or sub regional forums.	Failure to build and maintain an effective public affairs programme and therefore the ability to influence at Westminster and Whitehall.

Ref	Original Risk Description (April 2009)	New Risk Description
24	Failure of the Council to deliver the Sunderland Strategic Transport Corridor (SSTC) in a timely and effective manner.	Failure of the Council to deliver major transport infrastructure schemes in a timely and effective manner, including the SSTC: New Wear Crossing and the Central Route.
25	Failure to deliver the key physical regeneration projects (including the City Centre and the Sea Front).	Failure to deliver the key regeneration priorities as set out in the Economic Masterplan.
29	Failure to corporately implement the Local Government Data Handling Guidelines.	Failure to effectively manage, use and secure data to help the Council achieve its key priorities (with partners).
30	Inadequate resilience to / communication on major incidents.	Inadequate resilience for Business Continuity.
32	Failure to provide a fit for purpose integrated infrastructure to ensure safe and effective travel in the city.	Failure to provide a safe and adequately maintained highway network to ensure the expeditious movement of goods and people.
33	Failure to maximise the benefits and opportunities of partnership working.	Failure to maximise and demonstrate the benefits and opportunities of partnership working.
35	Inability to find and implement an effective solution for the future management of the Port of Sunderland.	Inability to implement an effective solution for the future management of the Port of Sunderland.

3.2 Two new risks were added and 11 were consolidated / closed / moved. Details are set out below.

Table 2 – Corporate Risk Profile – Additional / Closed Risks

ID	Status	Risk Description	Risk Owner
Additional Risks - Added for 2010/2011			
36	Open	Inadequate arrangements in place to manage the new responsibilities in relation to commissioning 16-19 learning.	Keith Moore, Acting Executive Director of Children's Services
37	Open	Failure to identify, prioritise and deliver programmes and projects to achieve improvement priorities.	Helen Paterson, Strategic Director of Transformation
Closed Risks			
3	Consolidated with Risk 21	Continuing lack of recognition of / support for / involvement in Sunderland as one City.	Dave Smith Chief Executive
5	Consolidated with Risks 2 & 4	Continuing difficulties in addressing the perception gap between the services the Council currently delivers and the overall evaluation of the Council.	Dave Smith, Chief Executive
6	Consolidated with Risks 2 & 4	Difficulties in implementing effective engagement and consultation with communities.	Dave Smith, Chief Executive
7	Consolidated with Risk 37	Failure to utilise the corporate programme / project methodology to deliver Council programmes and projects on time, on budget and to quality.	Dave Smith, Chief Executive
8	Consolidated with Risk 15	Failure to deliver a major business improvement project in timely and cost effective manner.	Dave Smith, Chief Executive
11	Consolidated with Risk 15	Failure to manage financial pressures.	Director of Financial Resources
14	Closed	Governance arrangements are not adequate to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.	Director of Financial Resources

ID	Status	Risk Description	Risk Owner
18	Moved to Children's Services Risk Register	Fail to fundamentally reduce child poverty levels in Sunderland.	Keith Moore, Acting Executive Director of Children's Services
22	Consolidated with Risk 19	Failure by the Council and/or its strategic partners to fully engage and maximise the advantages from working in partnership with the Third Sector to deliver the outcomes of the Sunderland Strategy and Local Area Agreements.	Ron Odunaiya, Executive Director City Services
23	Closed	Inadequate preparation to support the transfer of responsibility for 16-19 funding from the Learning and Skills Council (LSC) to Local Authorities in 2010.	Keith Moore, Acting Executive Director of Children's Services
26	Consolidated with Risk 25	The Economic Master Plan and/or Single Investment Plan is not fit for purpose.	Dave Smith, Chief Executive

3.3 Table 3 below shows all of the risks that remain on the Corporate Risk Profile, the Risk Owner, movement in Risk Score and reason for movement. The scoring methodology was revisited, retaining the 4 x 4 matrix, but using whole numbers. This has resulted in minor adjustments to the current risk scores. A Projected Risk Score is provided to reflect the assessment of risk assuming all of the proposed mitigating actions for the forthcoming 12 month period are implemented on time.

It can be seen from the table that a number of risk scores have increased. It is considered that this reflects that the review has been undertaken at a time when there is great uncertainty over public expenditure reductions and the need to promptly implement the Sunderland Way of Working. In addition, some scores have increased to reflect the widening scope of the risks following consolidation.

Table 3 - Risk Movement (Previous Risk Score to Current Risk Score)

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
1	↑	Failure to meet the housing needs of the city.	Neil Revely, Executive Director of Health Housing & Adult Services	6.09	12 (3x 4)	9 (3x3)
Increased to reflect criticality of Homes and Communities Agency (HCA) funding decision due August 2010. Local Investment Plan being developed. Funding frozen by HCA, together with a general freeze in relation to new capital funding initiatives. In addition there is no commissioning plan in place for the Supporting People programme and the ring fenced funding will end 31 st March 2011.						
2	➔	Difficulties in developing and delivering an effective strategy and plan for social inclusion, community cohesion and equality.	Sarah Reed, Assistant Chief Executive	5.82	6 (3x2)	6 (3x2)
Technical increase due to using whole numbers for scoring.						

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
4	↑	Failure of the Council to deliver its Community Leadership Role.	Dave Smith, Chief Executive	4.91	12 (4x3)	8 (4x2)
<p>Risk changed: This was previously “<i>Failure of the Council to support Elected Members to deliver their relevant community leadership role</i>”. Whilst the Community Leadership programme is seen as supporting Councillors, it is considered that there is still considerable progress to be made before the Council is fully appreciated as the Community Leader. The outcomes are to improve the quality of life at a neighbourhood level and improve the trust, reputation and satisfaction levels with the Council and its partners. Given the future financial outlook and policy developments (re localism etc.), the need to provide effective community leadership is greater.</p>						
9	→	Failure to implement a strategy / deliver a plan that makes the most efficient / effective use of land / property in the Council's portfolio.	Janet Johnson, Deputy Chief Executive	8.50	9 (3x3)	6 (3x2)
<p>Technical increase due to using whole numbers for scoring.</p>						
10	↓	Failure to embed an integrated approach to the management of crime and fear of crime.	Janet Johnson, Deputy Chief Executive	5.90	3 (3x1)	3 (3x1)
<p>Reduced due to the effectiveness of additional controls implemented.</p>						
12	↑	Inability to match human resources and skills / abilities to meet the changing organisational requirements.	Sue Stanhope, Director of HR&OD	6.67	12 (4x3)	8 (4x2)
<p>Risk increased to reflect the importance of the Internal Jobs Market in assisting with the delivery of the Sunderland Way of Working, new Operating Model and efficiencies, and the level of uncertainty as to its ability to deliver the level of turnover required. Success is dependant on engagement from the organisation.</p>						

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
13	→	Adverse outcome in relation to Single Status & Equal Pay.	Sue Stanhope, Director of HR&OD	12.02	12 (4x3)	9 (3x3)
Technical reduction due to using whole numbers for scoring.						
15	↑	Failure to secure significant productivity gains to address potential public expenditure reductions.	Helen Paterson, Strategic Director of Transformation	7.81	12 (4x3)	8 (4x2)
Risk increased: Previous risk number 8) Failure to deliver a major business improvement project in timely and cost effective manner, and risk number 11) Failure to manage financial pressures, are now amalgamated within this risk. The uncertainty as to the extent of public expenditure cuts and the ability to respond to them, are reflected in the increased score.						
16	↑	ICT strategy and operational focus are not yet fully aligned to the needs and requirements of the Council.	Janet Johnson, Deputy Chief Executive	8.92	12 (4x3)	8 (4x2)
The ICT requirements to deliver the Business Transformation Programme have not been fully identified and resourced. This may reduce the potential to make efficiencies which are dependant upon new or re-engineered ICT functionality.						
17	↑	Failure to meet health inequalities targets.	Neil Revely, Executive Director of Health Housing & Adult Services	8.47	12 (3x4)	12 (3x4)
Recent CAA assessment included a proposed red tag against health inequality targets. Whilst new mitigation actions are in place it is considered that these long standing problems will come under closer scrutiny. The new economic conditions and review of health services will also impact on this work (See also comments on Risk 19).						

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
19	↑	Failure by the Council and/or its strategic partners to understand, embrace and evidence progress towards the outcomes of the Sunderland Strategy and Local Area Agreement (LAA) and, in the nearer term, to meet the challenges of future inspection arrangements.	Sarah Reed, Assistant Chief Executive	7.17	9 (3x3)	6 (3x2)
Current performance would suggest that half of the targets within the LAA will be achieved. A full analysis is currently being undertaken in relation to the year end figures for 2009/10 and the projected impact on 2010/11 targets which is the final year of the agreement. This is set against a context of having selected a set of very challenging priorities that have been issues for the partner services and the people of Sunderland for many years, and therefore carried a greater level of risk of non achievement of the target.						
20	↓	Failure to find and/or implement suitable arrangements to meet the City's waste collection, management and disposal requirements.	Ron Odunaiya, Executive Director City Services	7.78	6 (3x2)	6 (3x2)
Good progress is being made toward the desired solution. Effective implementation of new Kerbside waste collection arrangements.						
21	→	Failure to build and maintain an effective public affairs programme and therefore the ability to influence at Westminster and Whitehall	Deborah Lewin, Director of Communication	6.37	6 (3x2)	6 (3x2)
Technical decrease in rating due to scoring rationalisation						
24	↑	Failure of the Council to deliver major transport infrastructure schemes in a timely and effective manner, including the SSTC: New Wear Crossing and the Central Route.	Ron Odunaiya, Executive Director City Services	8.66	16 (4x4)	16 (4x4)
Increased due to the uncertainty about the Budget in June 2010 and the planned Spending Review.						

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
25	↑	Failure to deliver the key regeneration priorities as set out in the Economic Masterplan.	Janet Johnson, Deputy Chief Executive	10.00	12 (4x3)	8 (4x2)
<p>Previous risk number 25) Failure to deliver the key physical regeneration projects (including the City Centre and the Sea Front) and risk number 26) The Economic Master Plan and/ or Single Investment Plan is not fit for purpose, have been amalgamated. The current economic climate makes it more unlikely that regeneration priorities will be funded / achieved. The availability of funding being a major concern.</p>						
27	→	High profile or widespread failure to meet obligations and expectations linked to the Council's responsibilities for safeguarding children and young people.	Keith Moore, Acting Executive Director of Children's Services	7.04	8 (4x2)	4 (4x1)
<p>Technical increase in rating due to using whole numbers for scoring.</p>						
28	→	Failure to maximise the availability of employees.	Sue Stanhope, Director of HR&OD	8.07	9 (3x3)	6 (3x2)
<p>Technical increase in rating due to using whole numbers for scoring.</p>						
29	↑	Failure to effectively manage, use and secure data to help the Council achieve its key priorities (with partners).	Bob Rayner, Chief Solicitor	6.75	12 (4x3)	8 (4 x 2)
<p>In addition to the risks regarding data security, the risk has been extended to include the management and use of data. This area is of growing importance, particularly with regard to developing greater customer insight and gaining better understanding of value for money under more challenging economic conditions.</p>						

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
30	↑	Inadequate resilience for Business Continuity	Janet Johnson, Deputy Chief Executive	6.70	9 (3x3)	6 (3x2)
Emphasis of risk has changed from Emergency Planning to Business Continuity. A Business Continuity policy, framework and delivery plan have been agreed by EMT. Pending the successful implementation of the delivery plan, including testing and a health check, it was considered that the risk should be classified as high.						
31	↓	Failure of the organisation to have an overall approach to sustainability.	Janet Johnson, Deputy Chief Executive	6.79	6 (3x2)	6 (3x2)
Sustainability Policy now in place. Early deliverables already realising benefits.						
32	↓	Failure to provide a safe and adequately maintained highway network to ensure the expeditious movement of goods and people.	Ron Odunaiya, Executive Director City Services	8.22	6 (3x2)	6 (3x2)
Existing and new controls continue to work effectively.						
33	↑	Failure to maximise and demonstrate the benefits and opportunities of partnership working.	Sarah Reed, Assistant Chief Executive	7.94	9 (3x2)	6 (3x2)
Slight increase in the score to reflect the impact of public sector spending cuts on partner organisations, e.g. NHS. This may lead to organisations concentrating on their own specific targets and ways of operating. Recent CAA assessment included a proposed red tag against health inequality targets. Whilst new mitigation actions are in place it is considered that these long standing problems will come under closer scrutiny. The new economic conditions and review of health services will also impact on this work (See comments on Risk 19).						

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
34	↑	Failure to respond to demographic trends and the needs and aspirations of the residents of the city in relation to Adult Social Care.	Neil Revely, Executive Director of Health Housing & Adult Services	6.29	12 (3x4)	9 (3x3)
Increase in the score to reflect the impact of public sector spending cuts on partner organisations, e.g. NHS. This may lead to organisations concentrating on their own specific targets and ways of operating, which may impact upon the Council's commissioning intentions.						
35	↓	Inability to implement an effective solution for the future management of the Port of Sunderland.	Janet Johnson, Deputy Chief Executive	5.64	3 (3x1)	3 (3x1)
Port Operating Model and new governance arrangements agreed, including new Port Director.						

New Risks

Ref	Status	Risk Description	Risk Owner	Previous Risk Score (March 2009)	Current Risk Score (I x L)	Projected Risk Score
36	New	Inadequate arrangements in place to manage the new responsibilities in relation to commissioning 16-19 learning.	Keith Moore, Acting Executive Director of Children's Services	N/A	4 (4x1)	4 (4x1)
Impact assessment based on criticality of delivery and likelihood assessment based on current controls.						
37	New	Failure to identify, prioritise and deliver programmes and projects to achieve improvement priorities.	Helen Paterson, Strategic Director of Transformation	N/A	12 (4x3)	8 (4x2)
Initial assessment based on criticality, complexity and uncertainty.						

- 3.4 The table below sets out the progress in relation to the actions included within the Corporate Risk Profile for 2009/2010.

Table 4 - Corporate Risk Profile – Analysis of Actions as at 31/03/10

Actions as at 1/4/2009		240	
Less: Not due by 31/3/2010	19		
Less: Removed (no longer valid)	<u>5</u>	<u>24</u>	
Actions due to be completed within the year		<u>216</u>	
<u>Breakdown</u>			%Age
Completed		186	86%
Delayed		<u>30</u>	<u>14%</u>
		<u>216</u>	<u>100%</u>

As a result of the review an additional 117 new actions were added to the Profile.

4. Conclusion

- 4.1 The above report provides information and assurance to the Committee in relation to the Corporate Risk Profile.

